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BEFORE THE ARIZONA CORPORATION COMMISSION
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IN THE MATTER OF THE APPLICATION OF
CHAPARRAL CITY WATER COMPANY,
INC., AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF
ITS UTILITY PLANT AND PROPERTY AND
FOR INCREASES IN ITS RATES AND
CHARGES FOR UTILITY SERVICE BASED
THEREON.

Docket No. W-02113A-07-0551

RUCO'S INITIAL CLOSING BRIEF

The Residential Utility Consumer Office ("RUCO") offers this Initial Closing Brief on the matters raised at Chaparral Water Company's ("Chaparral's") recent rate hearing.

A. ISSUES RESOLVED BETWEEN RUCO AND CHAPARRAL

RUCO and Chaparral have reached agreement on a number of issues, which were initially disputed. Those agreements are as follows:

- RUCO and the Company agree to RUCO's lead/lag study. Staff appears to rely on a zero based cash working capital, but agrees that RUCO's approach is more accurate.¹
- RUCO and the Company agree that the Company's reference to hookup fees to pay for the additional CAP allocation was a typographical error. The Company is not seeking additional hookup fees.²
- RUCO, the Company and Staff concur that Company's Wells 8 and 9 should have been retired from plant in service before the filing of this case.³

Arizona Corporation Commission
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¹ T: 414
² T: 110
³ T: 105

- 1 • The Company seeks rate case expense associated with the pending rate case. RUCO
2 does not object to the Company's request. RUCO objects to the request for rate case
3 expense associated with the appeal and remand proceedings.⁴

4 **B. OUTSTANDING ISSUES**

5 **1. Treatment of the CAP Water Allocation**

6 The Company acquired the right to 1,931 acre feet of additional Central Arizona Project
7 ("CAP") water via the Arizona Water Settlement Act approved by Congress.⁵ The Company
8 asserts that the water was acquired for a capital cost of \$1.28 million to ensure a reliable water
9 source.⁶ The Company testified that to access the additional CAP allocation the Company will
10 incur an additional annual water service capital charge.⁷ Staff recommended 100% of the
11 additional CAP allocation be treated as land and land rights in a non-depreciable account.
12 Staff's recommendation would disallow amortization expense, but permit the Company to
13 recover one-half of the annual water service capital charge and provide a return on rate base
14 in perpetuity.⁸ Staff based its conclusion upon the opinion of its engineer, Marlin Scott. Mr.
15 Scott determined the used and useful portion of the additional water allocation using the
16 Company's annual report.⁹ The Company agreed with Staff's recommended approach.¹⁰

17 RUCO respectfully disagrees. First, there is no evidence that the Company paid for the
18 water allocation. RUCO requested proof of payment of the lump sum purchase in a data
19 request.¹¹ In response, the Company forwarded a copy of a bank draft from the account of
20

21
22 ⁴ Exhibit R-6 Direct Testimony of William Rigsby (Rate Case Expense) at 7-8

23 ⁵ T: 27-28

24 ⁶ T: 27-28 and 57-58.

⁷ T: 56-57.

⁸ T: 338

⁹ T: 335, ll. 14-15

¹⁰ T: 28, ll.12-15

¹¹ T: 57-58, ll.1-11, Exhibit R-1 Data Request 1.9 and 1.10.

1 Golden States Water, a California affiliate for \$1.28 million.¹² In the absence of proof that the
2 funds were paid by Chaparral, the Company is not entitled to reimbursement from Chaparral
3 ratepayers.

4 Second, as the Company's district manager, Mr. Hanford, testified, Chaparral has held
5 a certificate of assurance of water supply within an active management area from the mid-80's
6 to present with its current allocation of water and service area.¹³ The designation indicates that
7 the Company has an assured water supply to satisfy its anticipated water demands for 100
8 years.¹⁴ Because the Company has held the 100-year Assured Water Supply Designation
9 since the 1980's, there is no basis to conclude that the Company will be unable to meet the
10 anticipated water demands in 2009.

11 Third, by the Company's own estimates, 100% of the additional CAP allocation is not
12 necessary to satisfy the immediate future needs of ratepayers. Mr. Hanford testified that the
13 current population of Fountain Hills is 25,391.¹⁵ Mr. Hanford calculated the anticipated number
14 of new accounts and anticipated water demand for 2010 and 2016 based on the Arizona
15 Department of Water Resources ("ADWR") report he filed in August 2008. In 2010, Mr.
16 Hanford estimated that the population of Fountain Hills would grow by 1,997 to approximately
17 27,388,¹⁶ which would result in an additional 978 accounts.¹⁷ Based on the Company's
18 estimate of average acre-feet/account/year of .359,¹⁸ Mr. Hanford further estimated that the
19 additional demand in 2010 would be an additional 351 acre-feet.¹⁹ In 2016, he estimated the
20

21 ¹² Id.

¹³ T: 124, 130 and Exhibit R-3 ADWR Report

¹⁴ Exhibit R-3

¹⁵ T: 77

¹⁶ T: 80-82, II.23-17.

¹⁷ Id. Mr. Hanford estimated the number of people per account by dividing his estimates of the current population
of Fountain Hills by the number of existing accounts. $25,391 \div 12,416 = 2.045$.

¹⁸ T: 74, II.17-18, 82, II. 18-24. The Company estimated the average acre-feet/account/year to be .359 by dividing
the total average acre-feet/ year used by the number of accounts.

¹⁹ T: 83, II.17-23.

1 population of Fountain Hills would grow by 3,452 to approximately 28,843,²⁰ which would result
2 in an additional 1,692 accounts.²¹ Based on the Company's estimate of the average acre-
3 feet/account/year of .359,²² Mr. Hanford estimated that the additional demand in 2016 would
4 be 607 acre-feet.²³ Mr. Hanford's calculations can be summarized as follows:

	2010	2016
1. Current Population:	25,391	
2. Number of Residential Accounts:	12,416	
3. Number People/ Account: (1÷2=3)	2.04	
4. Anticipated Population:	27,388	28,843
5. Minus current population	25,391	25,391
6. Increased Growth Anticipated: (4-5=6)	1,997	3,452
7. Divided by No/Account	2.04	2.04
8. Equal no. of new Accounts(6÷7=8)	978	1,692
9. Multiply Avg. ac/ft/yr	.359	.359
10. Additional ac/ft/yr (8x9=10)	351ac/ft	607ac/ft ²⁴

12 By Mr. Hanford's calculations the Company will have a need for 18.17% of the
13 additional CAP allocation by 2010 and 31.43% by 2016. If the Commission accepts Mr.
14 Hanford's calculations, the estimates do not support the Company and Staff's position to allow
15 the Company to book the 100% of the additional CAP allocation in a non-depreciable account
16 because by Mr. Hanford's estimate between 70 to 80% of the additional CAP allocation would
17 not be used and useful by 2016.

18 The Company and Staff have ignored the current economic realities in arriving at their
19 estimates. During the public comment, Fountain Hills' Mayor, Jay Schlum, spoke strongly
20 against the rate hike stating that the rate increase as proposed would have an adverse effect

23 ²⁰ T: 83-84, ll. 23-17

24 ²¹ Id.

²² T: 74

²³ T: 83-84, ll. 23-17

²⁴ Id.

1 on the community.²⁵ He stated that the Town of Fountain Hills had issued zero single-family
2 home permits in this fiscal year.²⁶ Mayor Schlum's statements contradict the Company's
3 estimates of future demand and undermine the Company's assertion that 18 to 31% of the
4 additional CAP allocation is needed by 2010 and 2016.

5 The Company claims and Staff concurs that the CAP allocation could serve as a
6 drought buffer by protecting the Company against water shortage in the event of curtailments
7 by the CAP. The Company and Staff, however, ignore the least expensive measure for
8 establishing a drought buffer—the Company's lost or unaccounted water. Lost or unaccounted
9 water is that amount of water the Company has received from CAP or pumped, but has not
10 delivered to its customers. Lost or unaccounted water is also referred to as non-account water
11 or water loss. Mr. Scott and Mr. Hanford testified that lost or unaccounted water has been a
12 continuing issue since before September 2005.²⁷ Both testified that in the 2005 rate case, the
13 Commission identified a water loss issue due to metering.²⁸ Mr. Scott testified that in the prior
14 case the water loss was 11.6% and was purportedly attributable to homeowner metering
15 issues.²⁹ As a result the Commission required the Company to identify the source of
16 unaccounted water and file water loss reports with the Commission. See Decision 68176.

17 Mr. Scott testified that the Company experienced approximately 1200 acre-feet of lost or
18 unaccounted water in 2006.³⁰ He indicated the loss constituted 15.9% of the water received.³¹
19 In 2007, the Company reported lost/unaccounted water of 1,030 acre-feet of water.³² The
20 Company and Staff testified that the water was not lost due to leaks, broken mains or

21
22 ²⁵ T: 8-9

²⁶ Id.

23 ²⁷ T: 66, ll.1-7, T: 330

²⁸ Id.

²⁹ T: 330

24 ³⁰ T: 329

³¹ T: 307, ll. 14-19

1 maintenance issues, but as a result of metering inaccuracies either at the homes of ratepayers
2 or at the CAP canal.³³

3 When Mr. Scott inspected the plant in April 2008, the Company was aware of a
4 continuing problem with lost or unaccounted water.³⁴ At that time, the Company believed the
5 unaccounted water was due to inaccurate readings by the CAP.³⁵ In November 2008,
6 approximately two weeks prior to the commencement of the hearing, the Company installed a
7 metering device at its Shea Water Treatment plant to address the unaccounted water due to
8 the alleged CAP metering inaccuracies.³⁶ The Company testified that once resolved, the
9 previously unaccounted water would be available for the Company's purposes.³⁷

10 Mr. Scott further testified that the industry standard for non-account water is 10%.³⁸
11 Currently the Company has a loss of water that exceeds 14%.³⁹ If the Company accounted for
12 the water in excess of the acceptable loss standard (10%), the Company would have an
13 additional 4% or 315.5-plus acre-feet available to satisfy the needs of its customers.⁴⁰
14 Recovery of the unaccounted water would negate the need for any of the additional CAP
15 allocation.

16 Mr. Hanford indicates that the Company intends to file for rate relief again within 2-3
17 years.⁴¹ Given that the Company intends to file again in 2-3 years, it is not imperative that the
18 Commission include 100% of the additional CAP allocation in a non-depreciating account,
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21 ³² T: 62

³³ T: 67,320

³⁴ T: 333

³⁵ T: 307-308, 333.

³⁶ T: 68

³⁷ T: 139

³⁸ T: 330

³⁹ Percentage of water loss = 1,030 acre-feet lost / 7,145 acre-feet received = .144156 x 100 = 14.4156%

⁴⁰ Water in excess of 10% acceptable water loss std. = 1,030 acre-feet lost - (7,145 acre-feet received x 10%) =
1,030 acre-feet - 714.5 acre-feet = 315.5 acre-feet

⁴¹ T: 121, ll. 1-13.

1 permitting the Company a return in perpetuity or to permit the Company to recover 50% of the
2 annual water service capital charge.

3 Mr. Scott testified that the Company seeks to expand its service area and CC&N.⁴² As
4 reflected in Decision No. 68238:

5 *The Company seeks to extend its CC&N to include approximately 1,300 acres of*
6 *state trust land located north of the Town of Fountain Hills and immediately adjacent to*
7 *Chaparral City's existing CC&N area. The purpose of the extension is to provide an*
8 *assured water supply to permit the sale of the land to a private subdivision developer.*
9 *The Company is seeking the CAP allocation in order to expand its service area at the*
10 *bequest of a developer. In order to develop a subdivision on the land around Fountain*
11 *Hills, the developer needs an assured water supply.*

12 *One way to achieve the assured water supply is for the developer's land to be*
13 *included in the Certificate of Convenience and Necessity ("CC&N") of an existing water*
14 *utility with an assured water supply. Chaparral City's service area is located within the*
15 *Phoenix Active Management Area("AMA") and a developer in the extension area would*
16 *therefore be required by the Arizona Department of Water Resources ("ADWR") to*
17 *demonstrate a 100-year assured water supply prior to recording plats or selling parcels.*

18 *A developer may prove a 100-year supply by satisfying the ADWR requirements*
19 *for a Certificate of Assured Water Supply, or by a written commitment of service from a*
20 *provider with a Designation of Assured Water Supply ("Designation") for its existing*
21 *service area. Chaparral City holds a Designation for its existing CC&N area and Staff*
22 *expects that the Company will seek to amend its Designation to include the extension*
23 *area.*⁴³

24 According to Mr. Scott, the additional CAP allocation is needed to expand the CC&N so
the extension area can be developed.⁴⁴ Mr. Scott's position would allow the Company to
expand its service area for the benefit of the State Land Department or a subdivision developer
at the expense of current ratepayers. RUCO opposes this position.

Mr. Scott's testimony suggests that the Company's underlying motivation is to force
current ratepayers to pay for the additional CAP allocation necessary to develop State Land.
While additional water may be necessary to provide a Designation of Assured Water Supply

⁴² T: 337, II.1-8 and Decision No. 68238 issued October 25, 2008.

⁴³ Id.

1 ("Designation") to develop the State Land, RUCO disagrees that the expense of doing so
2 should fall on the shoulders of current ratepayers. If the extension is for the benefit of the
3 State Land Department to achieve a higher sales price on the land, all taxpayers will benefit
4 and therefore all taxpayers, not just Chaparral's ratepayers, should bear the cost. If the
5 purpose of the Designation is to benefit an individual subdivision developer to develop the
6 land, the costs should fall upon the developer. If the Commission adopts the position
7 suggested by Staff and the Company, Chaparral's ratepayers will be bearing the full cost of the
8 additional CAP allocation while the true beneficiaries, the subdivision developer and/or the
9 State, receive the benefit.⁴⁵ Moreover, the Company will be permitted to expand its CC&N
10 and therefore its future rate base at the expense of current ratepayers.

11 **2. Distribution of the Settlement Proceeds From Fountain**
12 **Hills Sanitation District**

13 It is undisputed that Fountain Hills Sanitation District ("FHSD") contaminated
14 Wells 8 and 9. FHSD paid the Company \$1.52 million in settlement. Mr. Hanford testified that
15 the compensation was for the equivalent cost of the water to replace the amount Well 9 would
16 have produced over the remainder of its useful life.⁴⁶

17 Staff's expert witness, Marvin Milsap, a certified public accountant, testified that
18 the compensation for Wells 8 and 9 is not a gain on sale in which both ratepayers and
19 shareholders should share.⁴⁷ He correctly points out that the assets are fully depreciated; the
20 shareholders have already recovered the full cost of their investment through depreciation
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23 ⁴⁴ T: 337, II.1-8 and Decision No. 68238 issued October 25, 2008

⁴⁵

24 ⁴⁶ T: 100, Exhibit A-1, Hanford's Direct Testimony, p. 10, II. 11-13, Exhibit S-2, Milsap's Direct Testimony, p. 13,
T: 416-417.

⁴⁷ Exhibit S-2 at 5-6, 11-15.

1 expense and received a full return on their investment.⁴⁸ Shareholders are entitled to no more
2 under the law. RUCO concurs.⁴⁹

3 Pursuant to Bluefield Water Works & Improvement Co. v. Public Service Commission of
4 West Virginia and Federal Power Commission v. Hope Natural Gas Company, a public utility
5 that is efficiently and economically managed is entitled to recover the cost of its investment
6 and a reasonable return thereon.⁵⁰ In this case as Mr. Milsap and Mr. Coley correctly point
7 out, the Company has received the full return of its investment through depreciation expense.
8 Although Mr. Hanford, the Company's witness, may have testified inconsistently on the issue,⁵¹
9 in his response to the Staff Data Request MEM 7.3, Mr. Hanford clearly and directly stated:

10 *...both wells were constructed over 36 years ago and have been fully depreciated and*
11 *have no impact on rate base in the instant case.*⁵²

12 Moreover, the Company acknowledged that it has been receiving a return on its
13 investment in Wells 8 and 9 for over 30 years.⁵³ Mr. Hanford admits that both wells are fully
14 depreciated; the Company has received its return on and of the investment.⁵⁴ It would be
15 contrary to the law and unfair to permit the shareholders to continue to recover on an
16 investment for which they have been fully compensated.

17 The Company claims that consistent with the Decision No. 66849, involving Arizona
18 Water Company's Eastern Group, the Commission should split the recovery 50/50.⁵⁵ RUCO
19 and the Staff disagree. In Decision No. 66849, there was no evidence that the contaminated
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21 ⁴⁸ T: 416-417, Exhibit S-2 Milsap Direct Testimony at 13. See also, R-10 MEM DR 7.3.

22 ⁴⁹ T: 255-278, Exhibit R-8, Surrebuttal Testimony of Tim Coley at 19.

23 ⁵⁰ Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679(1923)
and Federal Power Commission v. Hope Natural Gas Company 320 U.S. 391(1944)

24 ⁵¹ T: 105, II.3-13

⁵² T: 255-278, 416-417, Exhibit S-2 at 13. See also, Exhibit R-10 MEM DR 7.3.

⁵³ T: 106, Exhibit R-10 MEM 7.3.

⁵⁴ T: 97, II.11-25, T: 106, Exhibit A-2 Hanford's Rebuttal Testimony, p. 4, II. 19-23.

⁵⁵ T: 30, Exhibit A-9, ACC Decision No. 66849.

1 wells were fully depreciated as they have been in this case.⁵⁶ In Decision No. 66849, the
2 Commission noted that the settlement included the drilling of replacement wells assuring that
3 ratepayers would be provided with the benefit of future quantities of water for a number of
4 years.⁵⁷ Chaparral ratepayers did not receive replacement wells and an assurance of the
5 benefit of future quantities of water.⁵⁸ Chaparral's ratepayers will have to pay for replacement
6 water.⁵⁹ Given these differences, RUCO asserts and Staff⁶⁰ concurs that the ratepayers should
7 receive the full benefit of the settlement.

8 **3. Rate Case Expense**

9 The Company seeks rate case expense of \$250,000, for legal and expert witness
10 fees for the appeal and remand proceeding.⁶¹ Mr. Hanford asserts that the Company had to
11 pursue the appeal and remand because the "Commission broke the law."⁶² RUCO disagrees.

12 RUCO asserts that the Company's request for legal fees should be denied because
13 Arizona law does not permit recovery of attorneys' fees on remand. A.R.S. §12-348 is the
14 Arizona version of the federal Equal Access to Justice Act. A.R.S. §12-348 permits an award
15 of attorneys' fees to a party, which prevails by adjudication on the merits. Arizona Courts have
16 recognized a party which prevailed on remand for a new administrative hearing does not entitle
17 the party to an award of attorney fees against the state agency because a remand decision
18 does not constitute "prevailing on the merits." Columbia Parcar Corp. v. Arizona Depart. Of
19 Transportation, 193 Ariz. 181, 971 P. 2d 1042 (1999). Here, Chaparral appealed and the
20

21 ⁵⁶ Exhibit A-9.

22 ⁵⁷ Id. at 34, ll. 23-28

23 ⁵⁸ T: 275-276.

24 ⁵⁹ Id.

⁶⁰ T: 351, 412, Exhibit S-2 at 5-6, 11-15. Mr. Milsap, a CPA and analyst for the Staff conveyed a policy decision
by the Utility Division to withdraw objection to the Company's treatment of the FHSD settlement proceeds.
However, Mr. Milsap testified that the change in opinion by the Staff policymakers did not change his
professional opinion, analysis or testimony.

⁶¹ T: 32

⁶² T: 108

1 matter was remanded to the Commission.⁶³ The Company would like the captive ratepayers
2 to compensate them for what the law does not provide. RUCO submits that an award of
3 attorneys' fees on remand is contrary to the law of Arizona.

4 RUCO also asserts that the Company's legal request should be denied based on public
5 policy. The Company seeks to recover \$258,511 on its appeal and remand.⁶⁴ The Company
6 asserts that the purpose of the appeal and remand was to correct the manner in which the
7 Commission has been determining FVRB rate of return. Although the appeal and remand
8 corrected the method by which the Commission determined FVRB rate of return, the Company
9 pursued the appeal to obtain additional operating income for the benefit its shareholders.⁶⁵
10 On remand, the Company recovered \$12,000 additional operating income per annum.⁶⁶
11 Because the Company pursued a course of action to benefit the shareholders; the
12 shareholders should bear the costs associated with that lawsuit. Permitting the Company to
13 recover its rate case expense on a lawsuit to benefit shareholders would leave the utilities with
14 the expectation that they can pursue any lawsuit with no worry of the costs associated
15 therewith because captive ratepayers will pick up the tab. A policy, which compensates
16 utilities for pursuit of shareholder lawsuits, encourages a lack of restraint and undermines the
17 appropriate analysis of the risks and benefits of litigation. RUCO believes that consistent with
18 good public policy, the Company should pay the costs for its business decision to pursue an
19 appeal for its shareholders and its request for attorneys' fees in the appeal and remand should
20 be denied.

21
22
23
24 ⁶³ T: 107-108

⁶⁴ T: 32, Exhibit R-6 at 7

4. Computation of Property Tax Expense

In 2005, the Commission approved a property tax expense of \$299,495.⁶⁷ The Commission computed taxes based on a formula of averaging two years adjusted gross revenue and one year of projected revenue. In 2006, 2007 and 2008, respectively, the Company paid \$241,774, \$207,162 and \$187,214 in property taxes.⁶⁸ As a result, the Company recovered almost \$300,000 more than it paid in property tax expense. The Company recovered an extra \$57,000, \$92,333 and \$112,281 in property tax expense in 2006, 2007 and 2008, respectively. The overpayment of property tax expense resulted from a decrease in the tax assessment. The decrease was due in great part to the reduction in tax rate and the tax assessment ratio, adopted by the Legislature in HB 2779, and codified at A.R.S. §41-15002. The statute allows a ½% decrease in the tax assessment ratio until 2014, at which point the ratio will stabilize at 20%.⁶⁹

RUCO asserts that the Commission should consider and adopt the ADOR methodology to compute property tax expense. The ADOR formula averages the three prior years of reported gross revenue by a factor of two.⁷⁰ Had the Commission utilized the ADOR method of computing property tax expense, the Company would have over-collected \$19,000 less in property tax expense.⁷¹

In the alternative, RUCO suggests a simpler method to determine the property tax expense might be to add the last known and measurable property tax bill to the property tax expense associated with the additional increment of adjusted proposed revenue approved by

⁶⁵ T: 107, ll. 12-16, T: 229, Exhibit R-6 Direct Testimony of William Rigsby (Rate Case Expense) at 7

⁶⁶ T: 108

⁶⁷ Exhibit R-9, Surrebuttal Testimony of Tim Coley at 31-32

⁶⁸ Id.

⁶⁹ A.R.S. §41-15002

⁷⁰ Exhibit R-8, Direct Testimony of Tim Coley at 38

⁷¹ Exhibit R-8 at 38-41.

1 the Commission.⁷² A schedule demonstrating RUCO's proposed methodology is attached as
2 Exhibit A.

3 **5. Computation of Amortization of Contributions in Aid of Construction**

4 The Company asserts that it may use an amortization rate of 3.4342%, computed based
5 on a composite rate of all accounts, including automobiles.⁷³ RUCO disagrees. RUCO
6 asserts that the amortization rate should be 3.5888% as established by the Commission in the
7 Company's last rate case.⁷⁴ In Decision 68176, the Commission determined the amortization
8 rate on a going forward basis.⁷⁵ As such, RUCO asserts that the Company should adhere to
9 the amortization rate unless or until the Commission modifies it.⁷⁶

10 In the alternative, RUCO asserts that the rate should be a composite rate of only those
11 accounts in CIAC.⁷⁷ The Company has utilized a composite of all accounts, including vehicles,
12 which depreciate at a much higher level than those items likely to be contained in CIAC, like
13 meters, mains and distribution lines.⁷⁸ RUCO asserts and the Company agrees the CIAC
14 amounts and corresponding plant depreciation rates should be used to amortize CIAC in order
15 to insure plant and CIAC are properly matched.⁷⁹ RUCO computed the amortization rate as
16 2.96%, after excluding the high depreciating accounts such as vehicles, computers and office
17 equipment utilized by the Company in its determination of the amortization rate.⁸⁰

21 ⁷² Id. at 40-41.

22 ⁷³ Exhibit A-5, Rebuttal Testimony of Bourassa, Schedule C-2, p. 2

23 ⁷⁴ Exhibit R-8 at 19, Exhibit R-9 Surrebuttal Testimony of Tim Coley at 20,
and Decision 68176 at 15.

24 ⁷⁵ Id. at 34.

⁷⁶ T: 289-290

⁷⁷ Id. at 290.

⁷⁸ Exhibit A-7 Rejoinder Testimony of Thomas Bourassa at 10-11, Exhibit R-8 at 19 and Exhibit R-9 at 20.

⁷⁹ Exhibit A-7 at 10-11, footnote 1.

⁸⁰ Exhibit R-8 at 19.

1 **C. CONCLUSION**

2 RUCO disagrees that 100% of the additional CAP water allocation should be booked in
3 a non-depreciating account permitting the Company to earn a return thereon in perpetuity or
4 that the Company should be permitted to recover 50% of its annual water service capital
5 charge. RUCO asserts that the Company's water supplies are sufficient to meet its current
6 demand and that if the Company needs a drought buffer, it work more diligently to resolve its
7 long-standing water loss issue. If the Company's true motivation is to acquire additional water
8 to achieve expansion of its CC&N, RUCO asserts that the expense of the additional allocation
9 fall on the beneficiaries, the State and/or the subdivision developer.

10 RUCO disagrees that the FHSD settlement proceeds should be divided equally
11 between shareholders and ratepayers. Shareholders have received recovery of and on their
12 investment in Wells 8 and 9 and are legally entitled to no more.


13 RUCO asserts that the Company's request for legal fees for the appeal and remand be
14 denied as a matter of law and public policy.

15 RUCO requests that the Commission consider and adopt an alternative method of
16 computing property tax expense to avoid the excessive \$300,000 overpayment from 2006-
17 2007. RUCO requests the Commission adopt ADOR methodology of averaging three
18 historical years or RUCO's new alternative of adding the last known and measurable property
19 tax expense and the property tax expense associated with the additional increment of adjusted
20 proposed revenue approved by the Commission.

21 Last, RUCO requests that the Commission deny the Company's attempt to amortize
22 CIAC using a composite amortization rate based on all accounts. RUCO suggests the
23 Company be required to utilize the amortization rate established in the prior case or a rate
24

1 established based on CIAC amounts and the corresponding plant depreciation rates to insure
2 that plant and CIAC are properly matched.

3
4 RESPECTFULLY SUBMITTED this 28th day of January 2009.

5
6 
7 Michelle L. Wood
Attorney

8 AN ORIGINAL AND THIRTEEN COPIES
9 of the foregoing filed this 28th day
of January, 2009 with:

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RUCO'S INITIAL CLOSING BRIEF

W-02113A-07-0551

EXHIBIT A

LINE NO.	DESCRIPTION	COMPANY REJOINDER AMOUNT	STAFF FINAL AMOUNT	RUCO FINAL AMOUNT	REFERENCE
1	PARTIES INCREMENTAL PROPOSED REVENUES	\$ 2,905,731	\$ 1,904,143	\$ 1,144,864	REJOINDER & FINAL SCHEDULES
2	PARTIES INCREMENTAL PROPOSED REVENUES	\$ 2,905,731	\$ 1,904,143	\$ 1,144,864	LINE 1
3	MULTIPLIER FOR REVENUES (2 X PROPOSED INCREMENTAL REVENUES)	x 2	x 2	x 2	ADOR VALUATION FACTOR
4	REVENUES FOR FULL CASH VALUE	\$ 5,811,462	\$ 3,808,286	\$ 2,289,728	LINE 3 X 2 (MULTIPLIER FOR REVENUES)
5	FULL CASH VALUE	\$ 5,811,462	\$ 3,808,286	\$ 2,289,728	LINE 4
6	ASSESSMENT RATIO	22.0%	22.0%	22.0%	AS PROPOSED BY COMPANY
7	ASSESSED VALUE	\$ 1,278,522	\$ 837,823	\$ 503,740	LINE 5 X LINE 6
8	PROPERTY TAX RATE	6.9159%	6.9159%	6.9159%	2008 PROPERTY TAX RATE
9	ADDITIONAL INCREMENTAL PROPERTY TAXES PAYABLE	\$ 88,421	\$ 57,943	\$ 34,838	LINE 7 X LINE 8
10	2008 PROPERTY TAX EXPENSE PER ADOR	187,214	187,214	187,214	PER ADOR - 2008 TAX EXPENSE
11	COMPANY, STAFF, AND RUCO PROPOSED TAX EXPENSE	\$ 275,635	\$ 245,157	\$ 222,052	LINE 9 PLUS LINE 10